



Texas Department of Insurance

Commercial Auto Biennial Report

November 2024

TDI | Texas Department
of Insurance



Commercial Auto Biennial Report

by the

Texas Department of Insurance

Submitted November 2024

A handwritten signature in black ink, appearing to read "C. Brown", with a long horizontal flourish extending to the right.

Cassie Brown

Commissioner of Insurance

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Background and overview

Background

In September 2021, the Texas Legislature enacted [House Bill \(HB\) 19](#). The bill:

- Created [Insurance Code 38.005](#), which instructs the Texas Department of Insurance (TDI) to conduct a study on the law's effect on commercial automobile insurance premiums, deductibles, coverage, and coverage availability. TDI must conduct the study each even-numbered year through 2026 and produce a written report of the results.
- Changed the process for civil litigation involving commercial motor vehicles. It allows courts to split a trial into a first phase to determine liability and compensatory damages and a second phase to determine exemplary damages.
- Detailed new procedures for introducing evidence of an owner-employee liability during the first phase of a trial.

Commercial auto study overview

TDI published the [first report](#) in 2022 and provided baseline information about the commercial auto market. While this second report includes two more years of data, it's hard to pinpoint the law's effect on commercial auto insurance because the market was also adjusting to post-pandemic conditions.

To evaluate commercial auto insurance premiums, deductibles, coverage, and coverage availability, the study considers:

- **Performance indicators:** Market conditions, competition, rates, average premiums, deductibles, limits, loss performance, and underwriting practices.
- **Liability coverage:** Since the law only addresses third-party litigation, the study focuses on mandatory liability coverages.
- **Vehicle types:** There are six commercial auto insurance vehicle types. When possible, the study separates trucks, tractors, and trailers from other vehicle types.
- **Admitted market:** This study focuses on the commercial auto admitted market since detailed premium and loss data aren't collected or available for self-insureds (usually large commercial fleets), certain large risks, surplus lines insurers, and excess insurance.

Commercial auto basics

Coverage

Commercial auto insurance includes the following coverages:

- **Mandatory liability**
 - **Bodily injury:** Pays when the insured is at fault for an auto accident and causes bodily injury to others.
 - **Property damage:** Pays when the insured is at fault for an auto accident and causes damage to someone else's property.
- **Optional liability**
 - **Personal injury protection (PIP) and medical payments:** Pays medical expenses for the insured and occupants of the insured's vehicle for injuries caused by an auto accident.
 - **Uninsured or underinsured motorist (UM/UIM):** Pays for the insured's injuries and damages caused by an auto accident with an uninsured or underinsured driver.
- **Physical damage**
 - **Collision:** Pays to repair or replace the insured's auto if damaged in an auto accident.
 - **Comprehensive:** Pays to repair or replace the insured's auto if stolen, damaged from weather, or other non-collision cause.

Policies

There are three main types of commercial auto policies:

- **Business auto:** Covers most types of commercial vehicles.
- **Motor carrier:** Covers truckers and can include coverage for cargo.
- **Auto dealers:** Covers auto dealerships and includes general liability coverage.

Vehicle types

Commercial autos are generally categorized into six vehicle types:

- **Trucks, tractors, and trailers:** Trucks, including pickups, panel and van types, truck-tractors, trailers, and semi-trailers.
 - **Truckers:** Covers autos used to haul or transport goods, materials, or commodities for another, other than autos used in moving operations.
 - **Non-truckers:** Includes manufacturers, contractors, food delivery, specialized delivery, farmers, and dump trucks.
- **Private passenger autos:** Four-wheel autos; includes pickups, vans, and SUVs.
- **Public autos:** Vehicles used for public transportation, such as taxicabs, limousines, buses (including school and church buses), and van pools.
- **Special autos:** Vehicles used for special purposes and miscellaneous-type vehicles, such as ambulance services, fire department, and law enforcement.
- **Non-owned autos:** Hired autos and employers' non-ownership liability for employee-owned autos used in the course of business.
- **Garage risks:** Auto dealers, service stations, parking facilities, and garages.

Regulatory environment

Rates and forms

[State law](#) requires that rates be adequate, based on sound actuarial principles, and reasonably related to expected loss. They also can't be excessive or based on the insured's race, creed, color, ethnicity, or national origin.

Admitted insurers must file their commercial auto rates with TDI. An insurer may use its filed rates on or after the date the rate is filed. TDI doesn't approve commercial auto rates, but TDI reviews rate filings for compliance with state law and actuarial standards. Beginning September 1, 2021, under [SB 1367](#), insurers were no longer required to submit rate filings for certain [large risks](#).

Policy forms are subject to prior approval unless used for large risks. Most commercial auto insurers use forms authored by the Insurance Services Office, Inc., an insurance advisory organization. Otherwise, insurers use proprietary forms they've filed with TDI for approval. TDI makes sure all forms follow applicable rules and laws and that they're not unfair.

Commercial auto insurance requirements

[Transportation Code 601](#) sets the minimum motor vehicle liability insurance coverage amounts required to establish financial responsibility. This is often referred to as 30/60/25:

- \$30,000 for bodily injury to or death of one person in an accident.
- \$60,000 for bodily injury to or death of two or more persons in an accident.
- \$25,000 for damage to or destruction of property of others in an accident.

In addition to motor vehicle liability insurance coverage, the Transportation Code allows [financial responsibility](#) to be satisfied by surety bonds, deposits with the comptroller or a county judge, and self-insurance.

Other requirements:

- The Insurance Code requires [UM/UIM](#) and [PIP](#) coverage unless rejected by the insured.
- The Transportation Code requires insurance coverage to register a commercial vehicle with the Department of Motor Vehicles. The [requirements](#) vary by weight, size, cargo, and vehicle type.
- For vehicles that qualify under the Federal Motor Carrier Safety Administration, there are [minimum requirements](#) for interstate motor carriers.

Insurance options

People who can't find coverage in the admitted insurance market have these options:

- **Texas Automobile Insurance Plan Association (TAIPA):** Provides minimum 30/60/25 limits, UM/UIM, and PIP. Applicants don't qualify for TAIPA if they need coverage required by any law other than Transportation Code 601; truckers also are ineligible. The volume of commercial auto premium written in TAIPA is insignificant.
- **Surplus lines insurers:** Specialty insurers covering unique risks that admitted insurers can't or won't insure. They don't submit rate and form filings with TDI, but they're regulated for solvency by their domiciliary state.

People can also cover their commercial auto risks in these ways:

- **Self-insurance:** Under [Transportation Code 601.124](#), an owner with more than 25 registered motor vehicles may qualify as a self-insurer by obtaining a certificate from the Texas Department of Public Safety. A self-insurer sets aside money to fund future losses rather than transferring risk to an insurance company. Many large employers that include trucking fleets self-insure. Rates and forms aren't filed with TDI.
- **Excess liability insurance:** Provides additional coverage that exceeds the limits of a base commercial auto policy or self-insured retention. Rate and form filings for this coverage aren't required after September 2021.
- **Risk retention groups:** Member-owned self-insurance pools covering only liability for a group with similar risk. They don't submit rate and form filings with TDI, but they're regulated for solvency by their domiciliary state. These groups make up about 1% of the commercial auto market.

Pricing

Insurer rating plans can vary significantly.

A procedure to rate liability coverage for trucks, tractors, and trailers usually involves:

- Classifying a risk based on vehicle size and business use.
- Considering the type of industry, such as truckers, manufacturers, and contractors.
- Determining territory or zone, based on radius of operations.
 - **Non-zone-rated:** Lightweight trucks (and associated trailers), plus vehicles that don't regularly operate beyond a 200-mile radius.
 - **Zone-rated:** Heavier vehicles that regularly operate beyond a 200-mile radius.
- Adjusting for selected limits, deductibles, and fleet size.
- Incorporating other rating modifications, such as proprietary rating variables, experience rating, schedule rating, retrospective rating, and discounts or surcharges.
- Adding the cost to cover insurers' operational expenses.

The rating procedure for the public auto vehicle type is similar, but seating capacity and use type are considered instead of size, business use, and industry. Use types for public autos include taxicabs, school and church buses, and van pools.

Rating procedures for auto physical damage coverage and the other vehicle types—private passenger autos, garage risks, special autos, and non-owned autos—vary and include considerations such as payroll, cost of hire, number of employees, and specialty coverages.



Study results

Key findings

Coverage and availability of coverage

- The top 10 groups write more than half the commercial auto premium in Texas, but the commercial auto market is considered competitive.
- The number of insurers and groups writing commercial auto insurance in Texas remains steady.
- The number of liability policies written has fluctuated year over year and is down almost 4% from 2017 to 2023.
- The U.S. surplus lines market share in Texas for commercial auto liability averaged 5% through 2019 and 9% thereafter.
- Insurers didn't report any change in underwriting actions—such as issuing new or renewal policies, or changes in limits, deductibles, or pricing—due to HB 19.
- Excluding 2020, the liability loss and allocated loss adjustment expense ratio has been steady since 2017. This suggests that loss performance across accident years doesn't seem to be changing.
- Since 2011, the Texas commercial auto combined ratio averaged 116%. This means insurers paid out 16 cents more in claims for every dollar they received in premium.
- Profitability for commercial auto liability insurance in Texas has decreased every year since peaking in 2013. Since 2020, commercial auto liability insurance has been unprofitable. In 2023, the 10-year return on net worth was about -3%.

Premium and rates

- Premium volume for the admitted market and the surplus lines market continues to grow each year by double-digit percentages.
- Average liability premium for all vehicle types increased 70% since 2017, about 8.6% per year.
- Rates have increased 73% since 2017. The average is about 7.1% per year.
- No insurers said that their filed rate changes were due to HB 19. A few insurers thought that HB 19 may eventually positively affect rates, but the effect is not quantifiable yet.

Deductibles and limits

- In recent years, 10%–16% of commercial auto risks have used liability deductibles.
- The use of liability deductibles for trucks, tractors, and trailers hasn't changed much. The average is around 10.5%.
- The usage for other vehicle types has roughly doubled in recent years. This suggests they used a deductible to save on premium costs.
- The median liability limit has stayed at \$1 million for all vehicle types. Only about 6%–8% of risks have limits above \$1 million.

Market conditions

Premium volume in the Texas admitted market continues to grow by double-digit percentages. The number of insurers and groups writing commercial auto insurance in Texas has been steady. The number of liability policies has fluctuated year over year and is down by almost 4% from 2017 to 2023.

Texas direct written commercial auto premium in millions

Year	Premium	Premium change	Liability policies	Policy change	Insurers	Groups
2017	\$ 3,335	-	520,636	-	308	96
2018	3,911	17%	518,573	-0.4%	322	101
2019	4,387	12%	469,479	-9.5%	326	106
2020	4,488	2%	493,352	5.1%	322	107
2021	5,297	18%	554,548	12.4%	322	115
2022	6,040	14%	498,828	-10.0%	320	110
2023	6,730	11%	501,238	0.5%	325	117

Source: Premium is from NAIC's Competition Database Reports; Remainder is from TDI's [Annual Report on Market Conditions for 2023](#); excludes surplus lines insurers.

In 2023, the top 10 groups wrote about 58% of the commercial auto premium in Texas. Progressive continues to be the top writer, insuring almost a quarter of the market. The top 10 groups in Texas and the U.S. are similar.

2023 Top commercial auto groups in Texas by market share

Group name	Market share	Cumulative market share	Direct written premium (in millions)	2022 rank	2021 rank
Progressive	23.4%	23.4%	\$ 1,494	1	1
Liberty Mutual	6.9%	30.3%	437	2	5
Travelers	4.8%	35.1%	303	3	3
Berkshire Hathaway	4.5%	39.6%	289	4	2
Old Republic	4.1%	43.7%	260	5	4
Zurich Insurance	3.5%	47.2%	220	8	8
State Farm	2.8%	49.9%	178	10	10
WR Berkley Corp	2.8%	52.7%	178	6	7
Chubb Limited	2.8%	55.5%	177	7	9
Hartford Fire and Casualty	2.3%	57.8%	147	12	14

Source: TDI's [Annual Report on Market Conditions for 2023](#); excludes surplus lines insurers.

The Texas surplus lines market has grown by double-digit percentages each year, with U.S. insurers writing the bulk of this market and outpacing non-U.S. surplus lines insurers. It’s worth noting that U.S. surplus lines insurers mostly write liability coverage, while non-U.S. surplus lines insurers mainly write auto physical damage coverage.

Texas surplus lines direct written commercial auto premium in millions

Year	U.S. premium	U.S. change	Non-U.S. premium	Non-U.S. change	Total premium	Total change	% U.S. premiums	Total policies
2017	\$ 207	-	\$ 117	-	\$ 324	-	64%	24,053
2018	236	14%	136	16%	372	15%	63%	24,993
2019	305	29%	119	-13%	424	14%	72%	24,739
2020	427	40%	98	-18%	525	24%	81%	25,443
2021	564	32%	112	15%	676	29%	83%	27,647
2022	651	15%	113	1%	765	13%	85%	30,159
2023	783	20%	107	-6%	890	16%	88%	32,598
2024*	885	13%	104	-2%	989	11%	89%	N/A

Source: Surplus Lines Stamping Office of Texas (SLTX) data.

Note: Year is based on the date the transaction was reported to the SLTX.

* 2024 values are estimated using data through August 31, 2024, annualized using prior years’ reporting patterns.

Competition

Most of the information in this section is from the National Association of Insurance Commissioners (NAIC) Competition Database Report, which provides reference measures that serve as a starting point for examining the competitiveness of state insurance markets. These measures include market concentration, market growth, availability, and profitability.

The last part of this section looks at combined ratios using underwriting profit data from the NAIC Report on Profitability by Line by State.

To provide some overall market perspective, this section compares Texas commercial auto liability (TXCA) with Texas personal auto liability (TXPA) and U.S. commercial auto liability (USCA) and personal auto liability (USPA).

Note that these measures include U.S. surplus lines insurers and that the 2023 data is preliminary and subject to change.

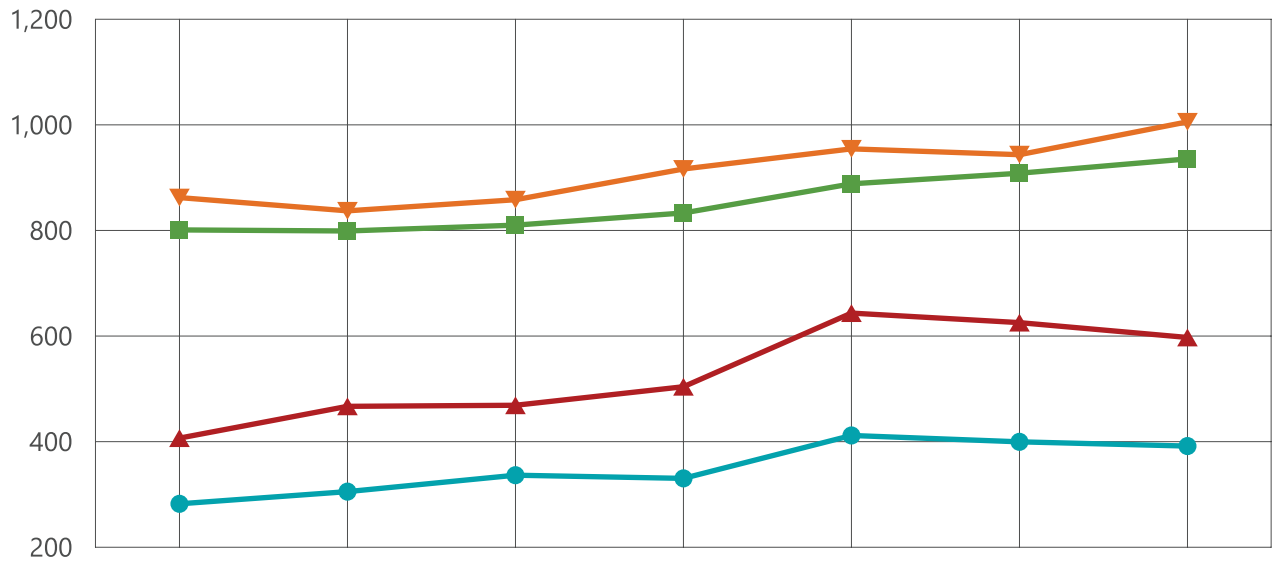
Market concentration

The Herfindahl-Hirschman Index (HHI) measures market concentration or competition between firms. The lower the HHI, the more competitive the market.

- Below 1,500 means that a market is competitive.
- Between 1,500 and 2,500 means a market is moderately concentrated.
- Above 2,500 means a market is highly concentrated.

All markets have a steady or slightly increasing HHI but are considered unconcentrated because their HHIs are below 1,500. This means these markets are competitive.

Herfindahl-Hirschman Index



Liability type	2017	2018	2019	2020	2021	2022	2023*
● USCA	282	305	336	330	411	399	391
▲ TXCA	406	466	468	503	642	624	596
■ USPA	799	797	808	831	886	906	933
▼ TXPA	860	835	856	914	952	941	1,003

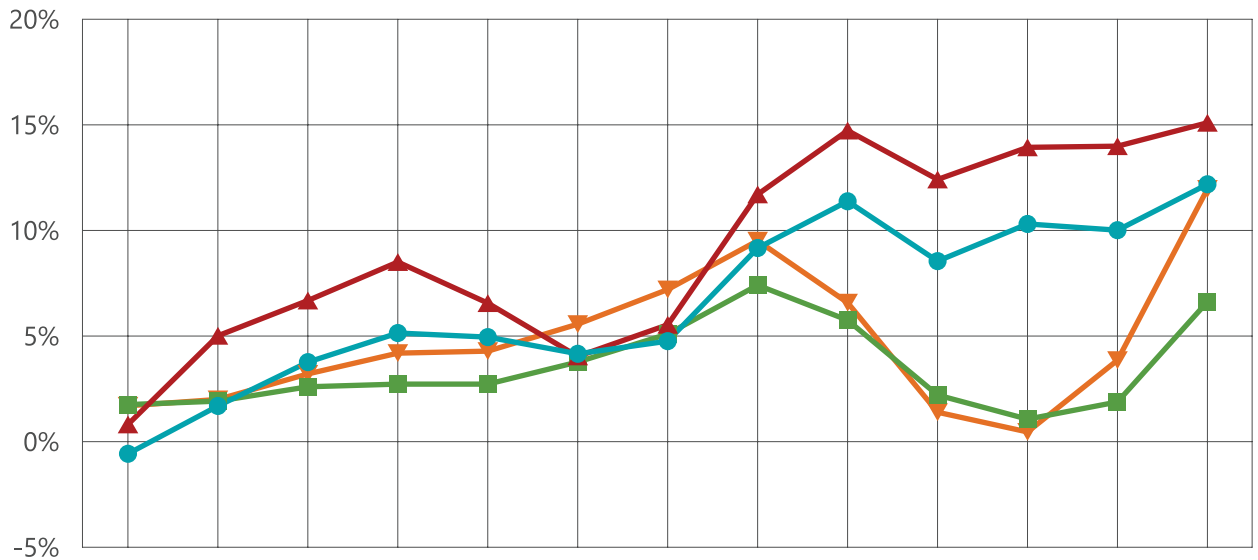
* 2023 uses preliminary NAIC data.

Market growth

Market growth is measured as direct written premium growth for the past three years. Market growth can be a measure of competition, indicating when new consumers enter the market or when existing consumers buy additional coverage. Increasing rates can also cause market growth.

Texas market growth is higher than the U.S. in most years, but the growth patterns are similar. Commercial auto liability growth roughly doubled in 2018 and has been at a sustained level since then. Personal auto liability saw sustained growth until taking a dip in 2020 and then surging in 2023.

Direct written premium growth



Liability type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
● USCA	-1%	2%	4%	5%	5%	4%	5%	9%	11%	9%	10%	10%	12%
▲ TXCA	1%	5%	7%	9%	7%	4%	6%	12%	15%	12%	14%	14%	15%
■ USPA	2%	2%	3%	3%	3%	4%	5%	7%	6%	2%	1%	2%	7%
▼ TXPA	2%	2%	3%	4%	4%	6%	7%	10%	7%	1%	0%	4%	12%

Note: Rolling three-year market growth, annualized.

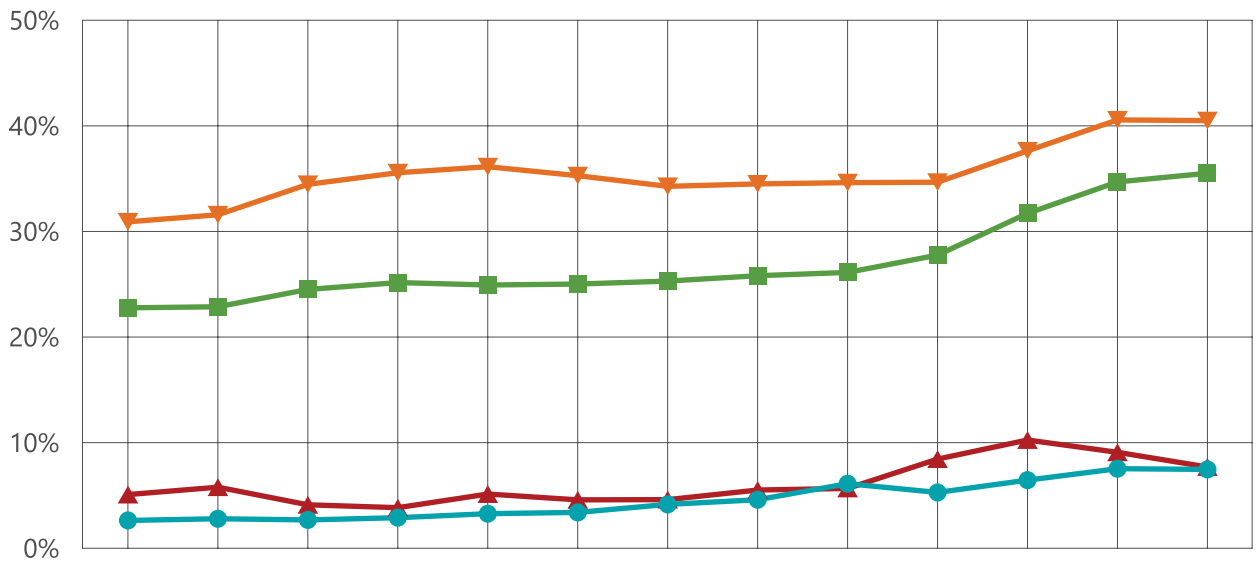
* 2023 uses preliminary NAIC data.

Availability

Surplus lines market growth can be an indicator of coverage availability by reflecting decreasing availability of coverage in the admitted market. Surplus lines data isn't as relevant for personal auto, so this measure is compared to general liability insurance and shows that the surplus lines market share for general liability is much higher than commercial auto liability.

Texas commercial auto liability market share for U.S. surplus lines insurers averaged 5% through 2019 and 9% thereafter. It started rising in 2020 and reached as high as 10% in 2021. The U.S. commercial auto liability market showed a similar pattern, averaging about 3% for many years, and climbing to a 7% average since 2020.

Surplus lines market share



Liability type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
● USCA	3%	3%	3%	3%	3%	3%	4%	5%	6%	5%	6%	8%	8%
▲ TXCA	5%	6%	4%	4%	5%	5%	5%	6%	6%	8%	10%	9%	8%
■ USGL†	23%	23%	25%	25%	25%	25%	25%	26%	26%	28%	32%	35%	36%
▼ TXGL	31%	32%	34%	36%	36%	35%	34%	35%	35%	35%	38%	41%	41%

* 2023 uses preliminary NAIC data.

† General liability.

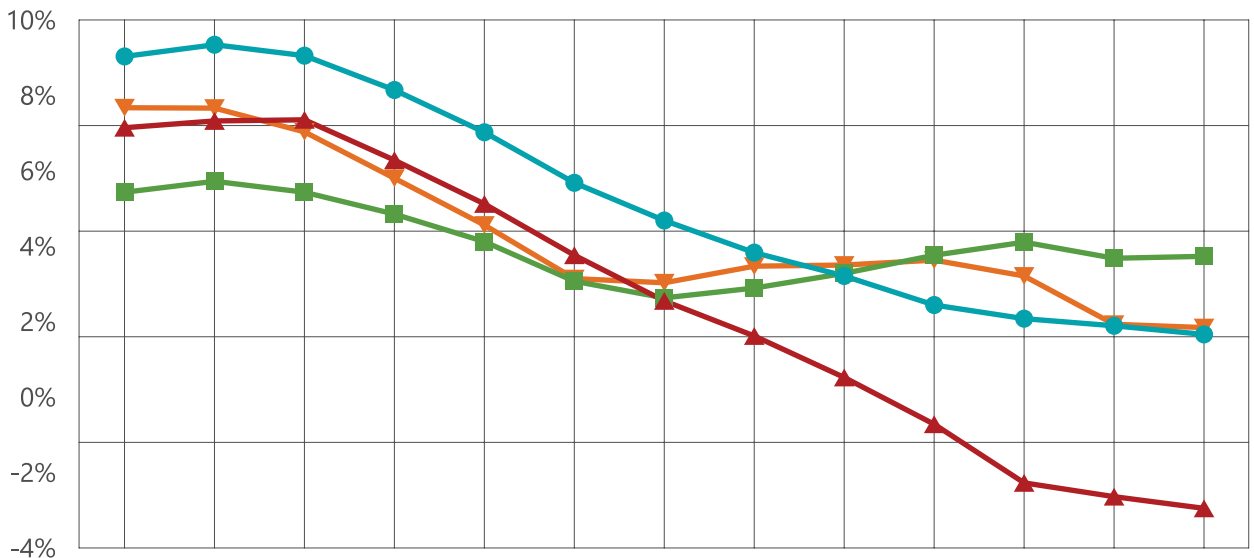
Profitability

Return on net worth is a way to measure profitability for insurance companies. It's calculated by dividing net income after taxes by surplus (net worth). It shows how much profit an insurance company can bring in relative to the amount of revenue it generates from selling policies and investing proceeds. The NAIC uses a 10-year average return because the results for one year can be highly variable.

Profitability for commercial auto liability insurance in Texas has decreased every year since peaking in 2013. Since 2020, commercial auto liability insurance has been unprofitable. In 2023, the 10-year return on net worth was -2.9%. In contrast, personal auto liability in Texas dropped from a high of 7.7% in 2012 to an average of 2.3% for the last three years.

Commercial and personal auto liability trends in Texas and the U.S. are mostly similar. Texas commercial auto liability profitability was consistently two percentage points lower than the U.S. average until 2020 when it turned unprofitable while the other markets remained profitable.

Return on net worth



Liability type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
● USCA	9%	9%	9%	8%	7%	6%	5%	4%	3%	2%	2%	2%	2%
▲ TXCA	7%	7%	7%	6%	5%	4%	3%	2%	1%	-1%	-2%	-3%	-3%
■ USPA	5%	6%	5%	5%	4%	3%	3%	3%	3%	4%	4%	4%	4%
▼ TXPA	8%	8%	7%	6%	5%	3%	3%	3%	4%	4%	3%	2%	2%

Note: Rolling 10-year average return on net worth.

* 2023 uses preliminary NAIC data.

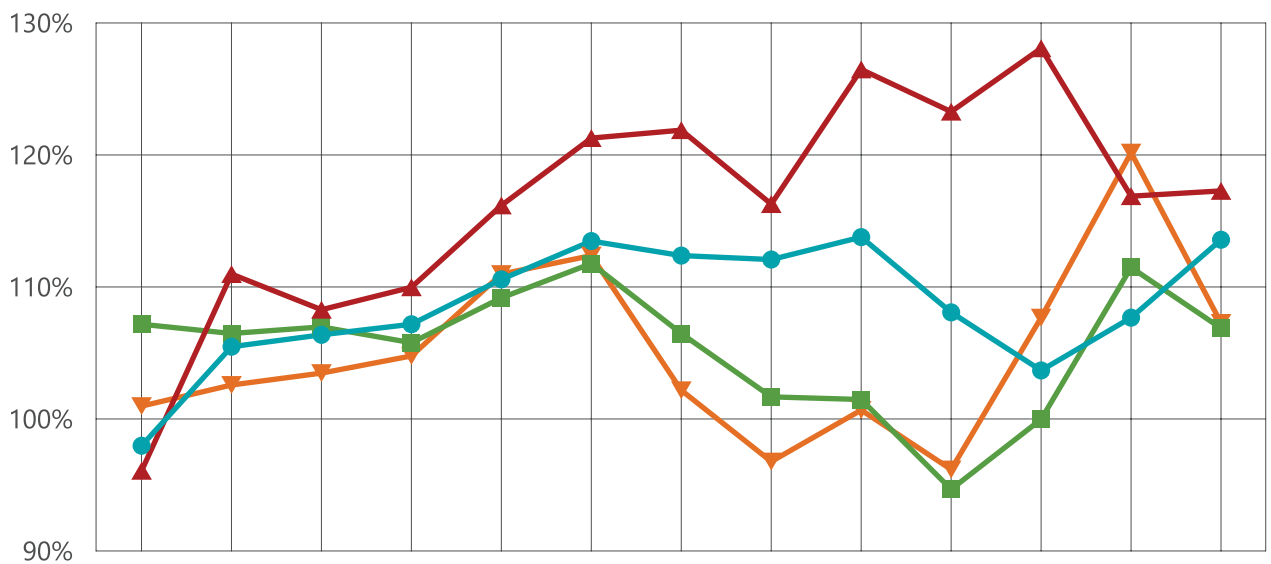
Underwriting performance

The combined ratio measures a market's financial health. It's calculated by dividing the cost of all claims and expenses by premium. A 95% combined ratio means that for every dollar collected, 95 cents is used to cover claims and expenses, and the rest is underwriting profit.

A combined ratio greater than 100% means that insurers pay more in claims than they receive in premiums. They must make up the shortfall from investment income or surplus.

For over a decade, commercial auto liability combined ratios have exceeded 100%. Since 2011, the average combined ratio in Texas was 116%, compared to the U.S. average of 109%. For personal auto liability, ratios have averaged around 105% with only a couple of years showing an underwriting profit.

Combined ratios



Liability type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
● USCA	98%	106%	106%	107%	111%	114%	112%	112%	114%	108%	104%	108%	114%
▲ TXCA	96%	111%	108%	110%	116%	121%	122%	116%	127%	123%	128%	117%	117%
■ USPA	107%	107%	107%	106%	109%	112%	107%	102%	102%	95%	100%	112%	107%
▼ TXPA	101%	103%	104%	105%	111%	112%	102%	97%	101%	96%	108%	120%	107%

* 2023 uses preliminary NAIC data.

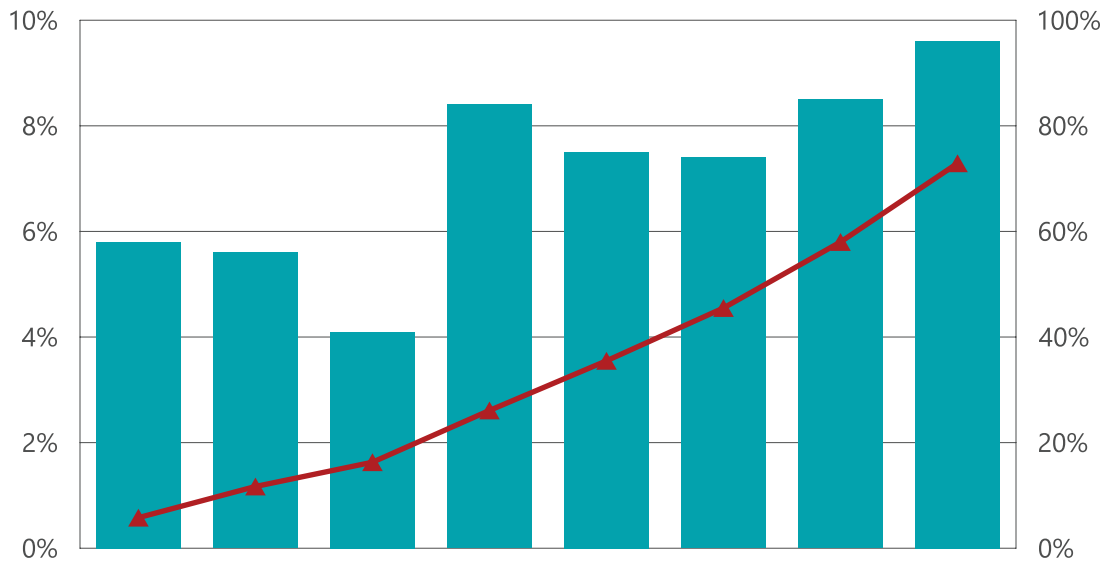
Rates

TDI receives about 350 commercial auto rate filings each year. About 140 of these have a non-zero rate impact, with an average 10.6% filed rate change. Each filing could include rate changes for some or all vehicle types and coverages. Note that TDI doesn't receive rate filings for self-insured entities (generally large employers), surplus lines insurers, risk retention groups, or certain large risks.

Some insurers submit multiple rate filings each year and others submit less than annually. Filings often include rate changes for only some risks or vehicle types, not to all rates. For these reasons, the average rate change for all commercial auto insurers (even those that didn't change rates), weighted by premium volume, better explains what's happening in the overall market.

The weighted average rate change for commercial auto rates in Texas has averaged about 7.1% per year with a total increase of about 73% since 2017.

Weighted average statewide rate change



Rate change	2017	2018	2019	2020	2021	2022	2023	2024*
■ Weighted average	5.8%	5.6%	4.1%	8.4%	7.5%	7.4%	8.5%	9.6%
▲ Cumulative rate change	5.8%	11.7%	16.3%	26.1%	35.5%	45.5%	58.0%	72.9%

Source: Rate filing submitted to TDI, by effective year.
 * 2024 is an estimate using data through June 30.

Starting in 2023, when an insurer filed a rate change, TDI asked them:

- How did you consider HB 19 in your rate analysis?
- To provide an exhibit showing certain loss metrics.
- To describe any other changes or impacts that were attributable to HB 19.

Responses to these questions generally fell into three groups:

- HB 19 will have no impact.
- HB 19 may have an impact, but it'll be immaterial to rates.
- HB 19 will have a significant impact, but it's too early to determine.

In addition to loss metric exhibits, a few insurers provided tables showing the change in litigation rates over the past few years. The exhibits nor the tables suggested any impact from HB 19 so far.

None of the insurers said that their rate changes were due to HB 19. A few insurers thought that HB 19 may eventually positively affect rates, but the effect is not quantifiable at this time.

Exposures

This information gives some perspective for the sections that follow.

These sections use statistical plan data through June 30, 2024, for mandatory liability coverages reported on a car-year exposure basis. It doesn't include surplus lines, risk retention groups, or self-insureds.

A car-year is the number of years a vehicle is insured. For example, two vehicles insured for three years would equal six car-years. About 72% of the liability data uses this exposure base.

Other exposure bases include payroll, number of employees, and cost of hire. Note that many large accounts are composite-rated, which means their premiums and losses may not be attributable to these exposure bases. Such data wouldn't be reflected in this study.

In 2023, 82% of the reported car-year liability exposures were for the trucks, tractors, and trailers vehicle type.

The insurers' data included in these sections changed significantly from the 2022 study due to data quality issues. In particular, a large truckers' writer had irregular exposure data relative to premium and couldn't be used.

In the 2022 study, data from insurers representing 8% of premium was excluded while in 2024, 46% was excluded. This affected results substantially, so only a few updates from the 2022 study can be presented. Study results could be distorted if the remaining data doesn't reflect the overall market.

Average premiums

Average premium reflects the final premium charged by insurers. It includes loss costs and expenses, as well as adjustments for experience rating, schedule rating, discounts, and other rating modifications. Keep in mind that each average premium value is indeed an average; there are risks with much higher or much lower average premium than is shown.

Average premium is calculated by dividing total earned premium by total earned exposure count. For trucks, tractors, and trailers risks, earned exposure for trailers was set to zero, but premium for trailers was included as reported. This means that the average premiums represent the typical premium for a single truck or truck-tractor, plus the typical premium for any associated trailers.

Average premiums are affected by many different factors. For instance, if an insurer increased rates across all policies, that would tend to result in higher average premiums.

Average premium can also be affected by changes in the characteristics of exposures an insurer writes. For instance, if an insurer charges higher rates for heavy vehicles than for lighter vehicles and has been writing more lighter vehicles in recent years, this would have a downward effect on average premium.

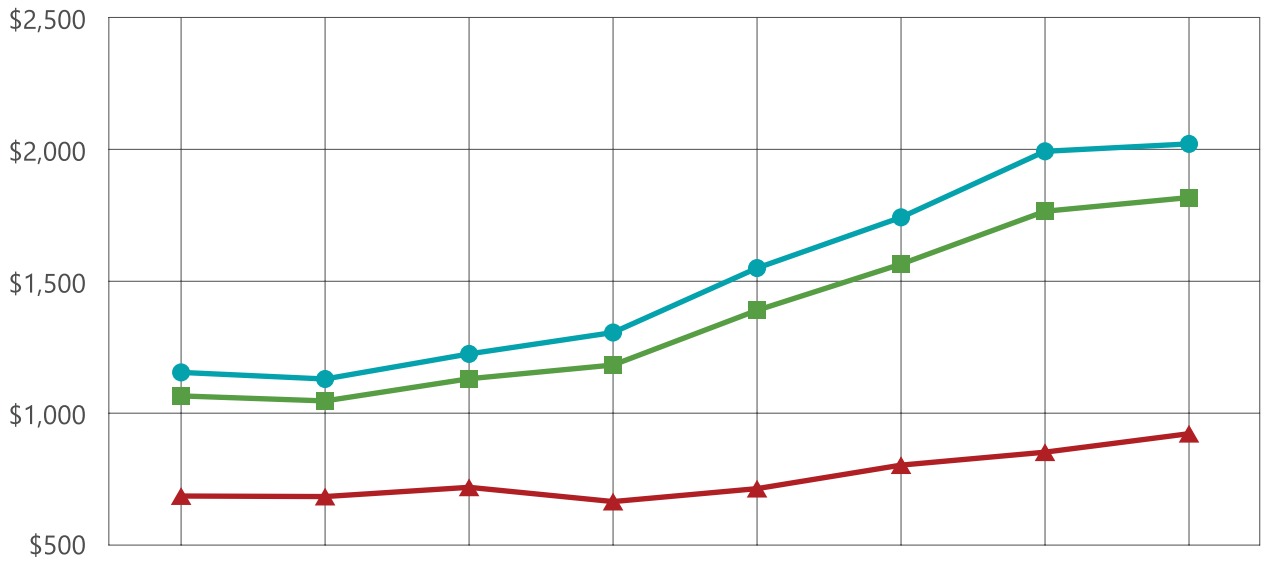
Other factors that can influence average premium include insureds' selection of deductibles and policy limits, changes in the portion of insureds who buy premium-bearing endorsements, and changes in average schedule rating modification factors.

Average liability premium for all vehicle types increased 70% from 2017 to 2024. This is about 8.6% a year. The average liability premium for trucks, tractors, and trailers trended the same, increasing 75%, or 9% a year. The average premium for other vehicle types has been fairly steady but has increased slightly in recent years.

The average liability premium for trucks, tractors, and trailers is just over double the average for other vehicle types in recent years. Within the trucks, tractors, and trailers vehicle type, trucker risks have consistently had much higher average premium than non-trucker risks. In particular, average premium for zone-rated truckers was several times higher than that of non-trucker risks every year and was generally higher than non-zone rated trucker average premiums.

As previously mentioned, these values differ from the 2022 study due to the data quality issues, so the absolute amounts shouldn't be used with certainty. This chart is included mainly to show there is an increasing average premium trend.

Average liability premiums by vehicle type



Vehicle type	2017	2018	2019	2020	2021	2022	2023	2024*
● Trucks†	\$ 1,155	\$ 1,130	\$ 1,225	\$ 1,306	\$ 1,550	\$ 1,742	\$ 1,992	\$ 2,020
▲ Other	687	685	720	666	715	804	853	923
■ All vehicles	1,066	1,047	1,131	1,183	1,390	1,565	1,765	1,817

* 2024 uses data through June 30.

† Trucks, tractors, trailers.

Deductibles and limits

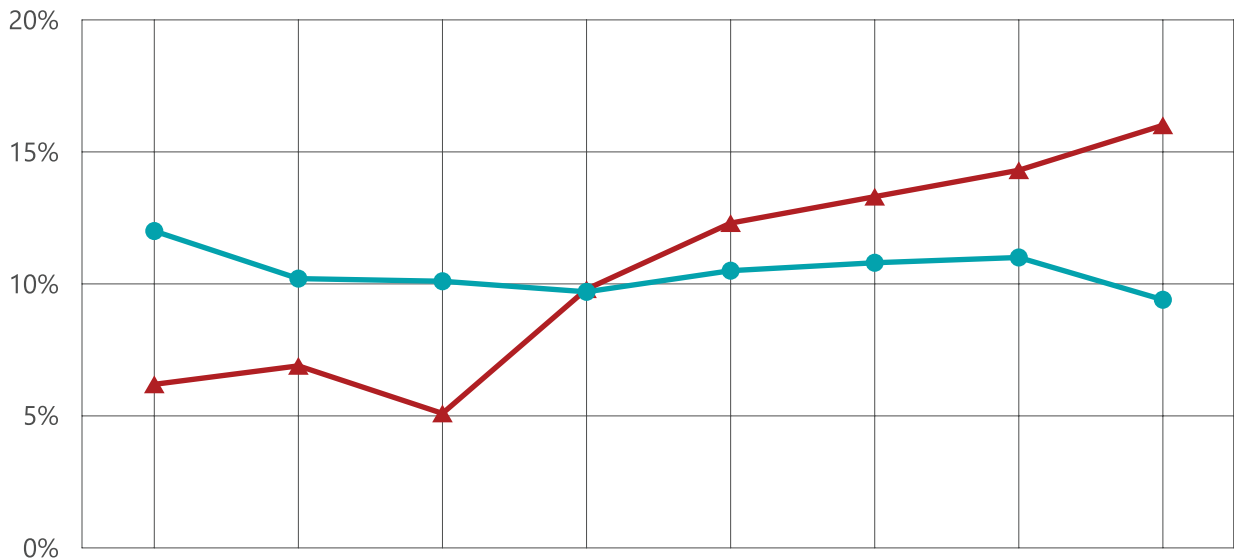
Deductibles

For physical damage coverage, the deductible is withheld from the payment to the insured. For liability coverage, the insurer typically pays the person filing the claim (third party) in full and then requests the insured pay the deductible to the insurer.

Deductibles for physical damage coverage are common and often required, while deductibles for liability coverage are less common. Insureds might choose or be forced to choose higher liability deductibles to lower premium and out-of-pocket costs. Increases in the use or size of deductibles could indicate an effort to mitigate increased premium costs. The trade-off is a higher retained risk for the insured.

In recent years, 10%–16% of commercial auto risks have used liability deductibles. The use of liability deductibles for trucks, tractors, and trailers risks hasn't changed much, averaging around 10.5%. The usage for other vehicle types has roughly doubled in recent years, suggesting this vehicle type has increased their deductibles to save on premium costs.

Percent of exposures with liability deductibles by vehicle type



Vehicle type	2017	2018	2019	2020	2021	2022	2023	2024*
● Trucks†	12.0%	10.2%	10.1%	9.7%	10.5%	10.8%	11.0%	9.4%
▲ Other	6.2%	6.9%	5.1%	9.8%	12.3%	13.3%	14.3%	16.0%

* 2024 uses data through June 30.

† Trucks, tractors, trailers.

Limits

Raising policy limits raises premiums, while lowering limits lowers premiums. A trend toward lower limits could show that insureds are trying to lower their premium in response to higher premiums. This approach may be constrained by contractual, statutory, or regulatory requirements.

To save on claim costs in a rising claim cost environment, an insurer could also lower the limits it's willing to write. As with higher deductibles, the trade-off for the insured is a higher retained risk.

The median liability limit has consistently been \$1 million for all vehicle types. About 83% of premiums for trucks, tractors, and trailers and 77% of premium for other vehicle types is from risks with a \$1 million limit. Only 6%–8% have limits above \$1 million.

There's been little change in the distribution of limits for trucks, tractors, and trailers, while other vehicle types have slightly shifted away from limits above \$1 million towards the \$1 million limit.

Loss performance

The loss and allocated loss adjustment expense (ALAE) ratio is the portion of premium used to pay claim costs. This ratio doesn't include other expenses, such as administrative overhead, commissions, taxes, licenses, or fees, which can be significant.

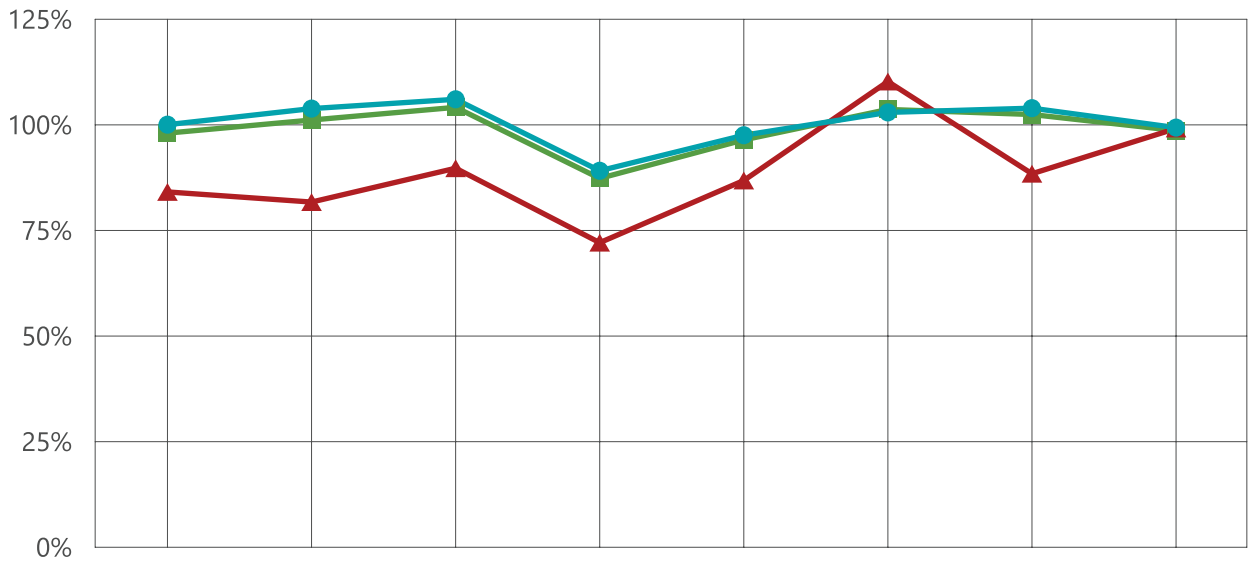
A loss and ALAE ratio of 80% means that for every dollar collected, 80 cents is used to pay claim costs. This leaves the remaining 20% to cover operating expenses, commissions, taxes, etc.

High or increasing loss and ALAE ratios generally indicate poor loss performance and often lead to insurers raising rates, which causes higher premiums. On the other hand, low or decreasing loss and ALAE ratios show good or improved loss performance and may lead to rate stabilization or decreased premiums.

The liability loss and ALAE ratio for all vehicle types combined has been steady, averaging almost 101% since 2017, excluding 2020. Trucks, tractors, and trailers' ratios were also steady and slightly higher. Ratios for other vehicle types have been quite a bit lower overall, though that difference has shrunk and varied more in recent years. Overall, these results suggest consistent loss performance, but estimates will change as losses develop to their ultimate value.

Note that these values differ from the 2022 study due in part to the data quality issues mentioned, and in larger part due to loss development that materialized in excess of the 2022 estimates. This higher than projected loss development seems plausible given the large increases in loss severity observed in most insurance lines after the pandemic. Regardless, this chart is included mainly to show that loss performance has been consistent across accident years.

Liability loss and ALAE ratio by vehicle type



Vehicle type	2017	2018	2019	2020	2021	2022	2023	2024*
● Trucks†	100.0%	103.8%	106.0%	89.1%	97.5%	102.9%	103.9%	99.3%
▲ Other	84.1%	81.7%	89.7%	72.1%	86.8%	110.2%	88.4%	99.1%
■ All vehicles	98.0%	101.1%	104.1%	87.3%	96.4%	103.6%	102.4%	98.6%

Note: Accident-year losses and ALAE were developed to ultimate using the methods and assumptions described in the appendix.

* 2024 uses data through June 30.

† Trucks, tractors, trailers.



Underwriting practices and survey

Underwriting practices

To evaluate market actions beyond what the data shows, TDI surveyed insurers about their underwriting practices. The survey asked about changes in underwriting actions and whether the changes were due to or influenced by HB 19.

Survey participants

TDI sent the survey in May 2024 to 18 insurer groups and two unaffiliated insurers, including U.S. surplus lines insurers. It covered about 135 companies, representing 62% of 2023 direct written premium.

The survey participants included the largest insurer groups based on 2023 commercial auto written or earned premium and trucker earned premium. Additional groups were chosen to represent small to mid-size insurers.

Survey responses

According to the survey participants, none of their actions were due to or influenced by HB 19. Respondents described the following actions.

New business. Two participants intentionally increased the number of new policies issued. Three participants reduced or limited the number of new policies issued or stopped issuing new policies. Insurers gave various reasons, including poor loss performance and strategic decisions.

Eligibility requirements. One participant broadened eligibility to write more commercial auto policies, including trucking risks. Eight participants tightened eligibility. The restrictions mainly applied to certain types of risks—like policies for buses—due to company risk appetite.

Rate actions. Twenty-one participants submitted one or more rate filings, with 77% of these filings proposing rate increases. A few rate increases were specifically for trucks, tractors, and trailers. A few filings mentioned changes in frequency and severity related to the COVID-19 pandemic.

Policy limits and deductibles. Three participants changed their available policy limits, offering higher liability limits for certain types of business and instituting lower limits for other businesses. One participant increased its minimum physical damage deductible citing increasing costs to repair or replace damaged vehicles.

Coverage enhancements or limitations. Thirteen participants changed policy provisions. One participant expanded trucker coverage offered. Other participants added various endorsements, including:

- Optional extra coverage, like roadside assistance or rental reimbursement.
- Coverage limitations, like restricted coverage for drivers not listed on the policy.

Survey Instructions

Participant instructions

“Insurer” means a group or subgroup of insurance companies writing commercial auto in Texas. Responses should be for the underwriting actions taken within your group. Group responses should be coordinated and provided under one submission. If you don’t belong to a group, answers should be for your company. Include both admitted and surplus lines companies in your response and note any actions taken specifically for surplus lines companies.

For each “Yes” answer to the questions below, address the following, as it relates to actions taken for commercial auto policies written in Texas.

- A. Describe actions taken and the reason for these actions. Be as specific as possible; don’t provide broad statements or generalizations. Include in your answer:
 - Names of each company within your group taking each action and effective dates of actions.
 - Specific changes or actions (e.g., maximum limits changed from \$5M to \$3M).
 - Primary and secondary classifications involved or types of business (e.g., dump trucks).
- B. Were actions due to or influenced in any way by HB 19? Explain your answer.
- C. Please provide additional details for Items A and B for trucking risks only, if applicable.

Questions

1. Have you increased, or otherwise changed, the target number of policies you would like to write? Yes No
2. Have you increased, or otherwise changed, your maximum limits? Yes No
3. Have you lowered, or otherwise changed, your required minimum deductibles? Yes No
4. Have you loosened, broadened, or otherwise changed, your underwriting guidelines? Yes No
5. Have you changed policy provisions or the use of endorsements to broaden, or otherwise change, coverage? (Include TDI file numbers for any applicable filings in your answer.) Yes No
6. Have you taken any rate actions, including changes in schedule rating or discounts given? (Include TDI file numbers for any applicable filings in your answer.) Yes No



Appendix

Appendix

This appendix discusses the data used in the study and documents the actuarial methods and assumptions used to calculate ultimate loss and ALAE ratios. It also makes certain disclosures in accordance with actuarial standards of practice.

Limitations on applicability of findings

Loss and ALAE ratios shouldn't be used to determine whether insurance rates are inadequate, excessive, or unfairly discriminatory. The premiums used to calculate these ratios were not restated to reflect current rate levels. As a result, they don't consider the effects of rate changes that may have later been implemented.

In addition, these ratios weren't trended to reflect inflationary pressures or other long-term developments. The loss and ALAE ratios can provide a historical view of what happened in the market; however, it's not appropriate to assume that the conditions that existed at the time still exist.

As previously mentioned, more statistical plan data had to be excluded in this study than in the 2022 study due to data quality issues. In particular, a large truckers' writer had irregular exposure data relative to premium and couldn't be used. Study results could be distorted if the remaining data does not reflect the overall market.

Data

- Insurers report data through one of two statistical plans: the Texas Commercial Lines Statistical Plan (TCLSP) and the Commercial Statistical Plan Plus (CSP+). They report outstanding ALAE under the two plans differently. In the TCLSP, reporting is optional. In the CSP+, it's not optional, but many insurers didn't report any outstanding ALAE. This is because insurers include it with outstanding loss values or are unable to report it at a transactional level. There's a risk that the inconsistent reporting of outstanding ALAE could distort the resulting loss and ALAE ratios.
- TDI didn't perform a detailed statistical plan data audit. A variety of basic reasonability checks, as well as exploratory data analysis were performed and records that appeared to be inaccurate or that reflected transactions outside the study's scope were eliminated. Study results could be distorted if the remaining data suffers from quality issues.
- TDI also didn't perform data audits or detailed reasonability checks on the following:
 - Surplus lines data from the Surplus Lines Stamping Office of Texas.
 - Competition Database Report and Report on Profitability by Line by State data from the NAIC.
 - Responses received from insurers to the underwriting survey.

Data sources

Source	Description	Data available	Data exclusions
NAIC	Annual statement filings.	Calendar years 2017–23.	Non-U.S. surplus lines insurers.
NAIC	Competition Database Report and Report on Profitability by Line by State.	Calendar years 2009–23 (2023 data is preliminary).	Non-U.S. surplus lines insurers.
Statistical plans - data submitted to Insurance Services Office, Inc.	TDI's Texas Commercial Lines Statistical Plan and Insurance Services Office, Inc.'s Commercial Lines Statistical Plan Plus.	Calendar years 2017–23; and first half of 2024.	Surplus lines insurers and risk retention groups.
Surplus Lines Stamping Office of Texas	U.S. and non-U.S. surplus lines insurance transactions.	Report years 2017–23; and 2024 data through August 31, 2024.	N/A; for surplus lines only.
TDI	Rate filings.	Calendar or effective years 2017–23; and 2024 data through June 30, 2024.	Surplus lines insurers, risk retention groups, self-insureds, composite-rated risks, and some large risks.

Loss and ALAE ratio development

- Loss and ALAE liability quarterly data was combined and developed to ultimate using the paid and incurred loss development and Cape Cod methods.
- The data was developed separately for:
 - Bodily injury (BI).
 - Property damage (PD).
 - Combined BI and PD with a single limit.
 - Combined BI and PD with a split limit.
- The analysis was done separately for Texas Commercial Lines Statistical Plan data and Commercial Statistical Plan Plus data.
- For loss development factor (LDF) selections:
 - LDFs were primarily based on eight-quarter Olympic averages.
 - Four-quarter Olympic averages were used in some cases to better reflect what appeared to be an emerging trend.
 - Shape-constrained additive modeling was used to smooth out some of the variation across maturities in the Olympic averages to ensure the selected LDFs would be convex, monotonic, and no less than 1.0. The expectation is that the data contains enough noise that these constraints could reasonably be expected to improve the estimates of the true development patterns.

- For tail factors:
 - To calculate tail factors, it was assumed that the:
 - Incurred development is fully reflected in the data.
 - Oldest year's estimates of ultimate loss and ALAE under the paid and incurred approaches should be equal.
 - Tail factors were applied to the paid loss development curves to reflect paid development past 90 months of maturity.
 - The resulting tail factors ranged from 1.00 to 1.01.
- For ultimate selections:
 - For accident quarters with more than 12 months of maturity, the weight was 50% on incurred methods and 50% on paid methods for both the Cape Cod and loss development approaches.
 - For accident quarters with at most 12 months of maturity, the weight was 80% on incurred methods and 20% on paid methods for both the Cape Cod and loss development approaches.
- The modified Bornhuetter-Ferguson approach was used to allocate incurred but not reported loss and ALAE to the various data segments displayed in the report.
- Change from 2022 report: The loss ratios and average premiums reflect premium development and exposure development. In aggregate, this development was only material for the least mature calendar/accident quarter. The development factors selected for this quarter ranged from 1.00 to 1.05 for earned premium and from 0.97 to 1.27 for earned exposure counts. These factors were derived using a chain ladder approach and selections were based on eight-quarter Olympic averages.
- Note that the combined ratios in the Competition section are on a calendar year basis while the loss and ALAE ratios are on a calendar/accident year basis. Each were derived using a separate data source and methodology.



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Commercial Auto Biennial Report